

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE DISTRICT OF COLUMBIA ECONOMY

The importance of small business to the District of Columbia is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the area's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, the District of Columbia had 23,409 businesses with employees; 94.3 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 14,000 self-employed persons in 1996, for an estimated total of 37,409 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 4.3 percent to \$2.3 billion in 1996, while wage-and-salary income rose 1.0 percent. Total personal income rose 1.3 percent to \$31.8 billion. The area also exported \$5.1 billion of goods and services in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 19,000 women-owned businesses in the District of Columbia, including part-time firms, employing 41,200 people and generating \$5.6 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 59.2 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 22.2 percent from 1987 to 1992, totaling 10,111 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 90.6 percent during the same time period with 1,452 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 807 in 1987, to 1,393 in 1992, representing a 72.6 percent increase.

**Business Turnover** - The number of new firms increased 25.8 percent, while new business incorporations decreased 33.6 percent in 1996. Financial difficulties leading to business bankruptcies increased by 19.0 percent and business failures decreased by 20.6 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in the District of Columbia decreased from 38 in 1994 to 12 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
CENTURY NB	Washington
FRANKLIN NB OF WA DC	Washington
FIRST UNION NB OF WA DC	Washington

**Job Growth** - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 64.0 percent of the small business growth with 19,644 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	10,777	8,867	2,803	8,259	(19,717)	10,990
Manufacturing	358	148	(439)	(225)	(127)	(285)
Retail Trade	1,067	912	1,013	(219)	(4,105)	(1,331)
Services	7,116	6,333	2,807	5,953	(12,320)	9,889
Other	2,235	1,474	(578)	2,750	(3,165)	2,716

**Industries** - The composition of small business in the District of Columbia is very diverse. The Membership Organizations industry is the largest small business employer in the District of Columbia, followed by Engineering, Accounting, Research, Management, & Related Services. The fastest growing industry for small business is Social Services (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in the District of Columbia by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	411,300	100.0	46.9
Health Services	8000	71,153	17.3	16.5
Membership Organizations	8600	40,403	9.8	81.7
Educational Services	8200	36,835	9.0	18.5
Engineering, Accounting, Research, Management, & Related Services	8700	33,104	8.0	58.3
Legal Services	8100	29,470	7.2	60.4

Table 2, Top Five Small Business Industries in the District of Columbia by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	192,758	100.0	46.9
Membership Organizations	8600	33,013	9.8	81.7
Engineering, Accounting, Research, Management, & Related Services	8700	19,296	8.0	58.3
Legal Services	8100	17,809	7.2	60.4
Eating & Drinking Places	5800	15,758	6.6	58.2
Business Services	7300	15,262	6.7	55.5

Table 3, Fastest Growing Industries for Small Business in the District of Columbia, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	196,691	192,758	(3,933)	(2.0)
Social Services	13,545	15,045	1,500	11.1
Services Nec	715	782	67	9.4
Insurance Agents, Brokers, & Service	905	970	65	7.2
Educational Services (Private)	6,381	6,828	447	7.0
Engineering, Accounting, Research, Management, & Related Services	18,562	19,296	734	4.0

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.